InEight strategic placement and capital raising

4 May 2022

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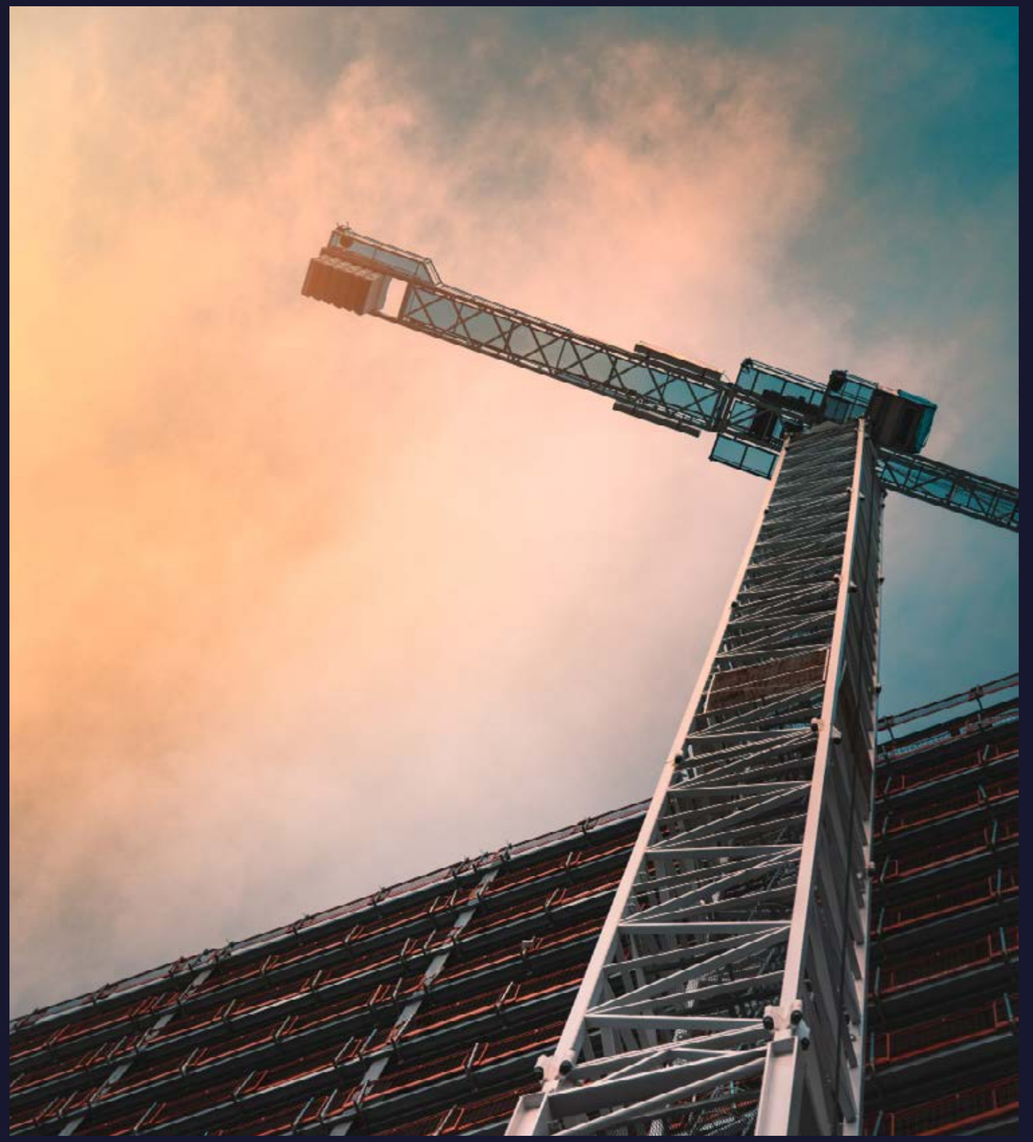

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Executive summary

Accelerating near-term opportunities delivered by the InEight strategic partnership

Introduction to Felix »

- Felix operates a cloud-based enterprise Software as a Service (SaaS) procurement management platform and vendor marketplace that connects contractors and third party vendors
- Felix adds value for contractors and third-party vendors by automating and streamlining a range of critical procurement-related business processes
- Ongoing growth in tier one Australian contractor customers, with recurring revenue being generated from 40 contractors including CIMIC, Lend Lease, Veolia, and Downer

Strategic investment by InEight »

- In February 2022, Felix signed its first strategic sales and collaboration agreement with InEight, providing Felix with the immediate opportunity to promote its highly complementary solution to InEight's global blue-chip customer base, numbering 850 enterprise customers across 60 countries
- InEight has made a strategic investment of A$2.75m, equivalent to approximately 5.0% of Felix's issued capital following the placement
- Investment validates and strengthens Felix's strategic partnership with InEight and aligns InEight with Felix's long-term growth profile
- InEight CEO Jake Macholz: "***This is a strategic agreement for InEight, deepening our offering with new procurement management capabilities that are beneficial to our customers and the depth of industries that we serve globally. We have already identified a number of customers where our joint value proposition is highly relevant in the Australian market. We are excited to work with the Felix team and look forward to collaborations to grow our base of customers***".

Quarterly highlights »

- Contractor ARR retention of 106% achieved in Q3 FY22, increasing from 96% in Q3 FY21, further demonstrating the underlying value of Felix's platform and its ability to expand accounts across its highly strategic Tier 1 and leading Contractor base
- $2.7m Contractor ARR achieved in Q3 FY22, increasing 64% on pcp, representing 60% of Total Group Contracted ARR (Q3 FY22: $4.6m) in line with Felix's Contractor-led growth strategy
- 62,418 Vendors in Marketplace, increasing 67% on pcp, with increasing Contractor sales momentum increasing the value of Felix's Vendor Marketplace

Capital raising details »

- Capital raising of up to approximately A$7.4m, comprising a placement of approximately A$6.4m and Share Purchase Plan of up to approximately A$1.0m. The placement comprises:
  - A strategic placement of approximately A$2.75m to InEight, at a price of A$0.36 per share, representing a 16.8% premium to the 5-day VWAP to 29 April of $0.308, and
  - An institutional placement of approximately A$3.7m, at a price of A$0.30 per share, representing a 2.7% discount to the 5-day VWAP to 29 April of $0.308
- SPP price of will be the lower of:
  - A$0.30 per share, representing a 2.7% discount to the volume weighted average price of Shares traded on the ASX during the five trading days up to 4 May 2022 (being the date the SPP was announced), being $0.308; and
  - A 2% discount to the volume weighted average price of Shares traded on the ASX during the five trading days up to (but not including) the date the SPP Shares are to be issued, rounded to the nearest cent.
- Felix expects to use proceeds for sales and marketing to accelerate conversion of new Contractor opportunities in new and existing jurisdictions, platform integrations and feature development associated with InEight partnership. Additional funds to be used for working capital and transaction costs.

InEight strategic partnership

InEight overview

— InEight is a leading project management software company headquartered in Arizona, USA

— Provides a modular software solution that spans planning, project cost management, safety, field execution, analytics, document management, capital management and virtual design

— InEight currently has over 850 enterprise customers across 60 countries with ~400,000 active users. Select blue-chip customers include Transurban, Sydney Water and Aecon as examples

— InEight is a wholly-owned subsidiary of Kiewit Corporation (“Kiewit”), one of the largest and most respected construction and engineering organisations in North America

— In 2021, Kiewit generated US$12.5B revenue and was ranked #243 in Forbes’ 2021 Fortune 500 list

INEIGHT

850+

Enterprise customers

~400k

users

60

Countries

$400bn

Value of construction projects deployed

Sources:
InEight Website,
https://www.ineight.com.

Forbes,
https://www.forbes.com/companies/kiewit/?sh=22cdec9d3bae

Strategic partnership overview

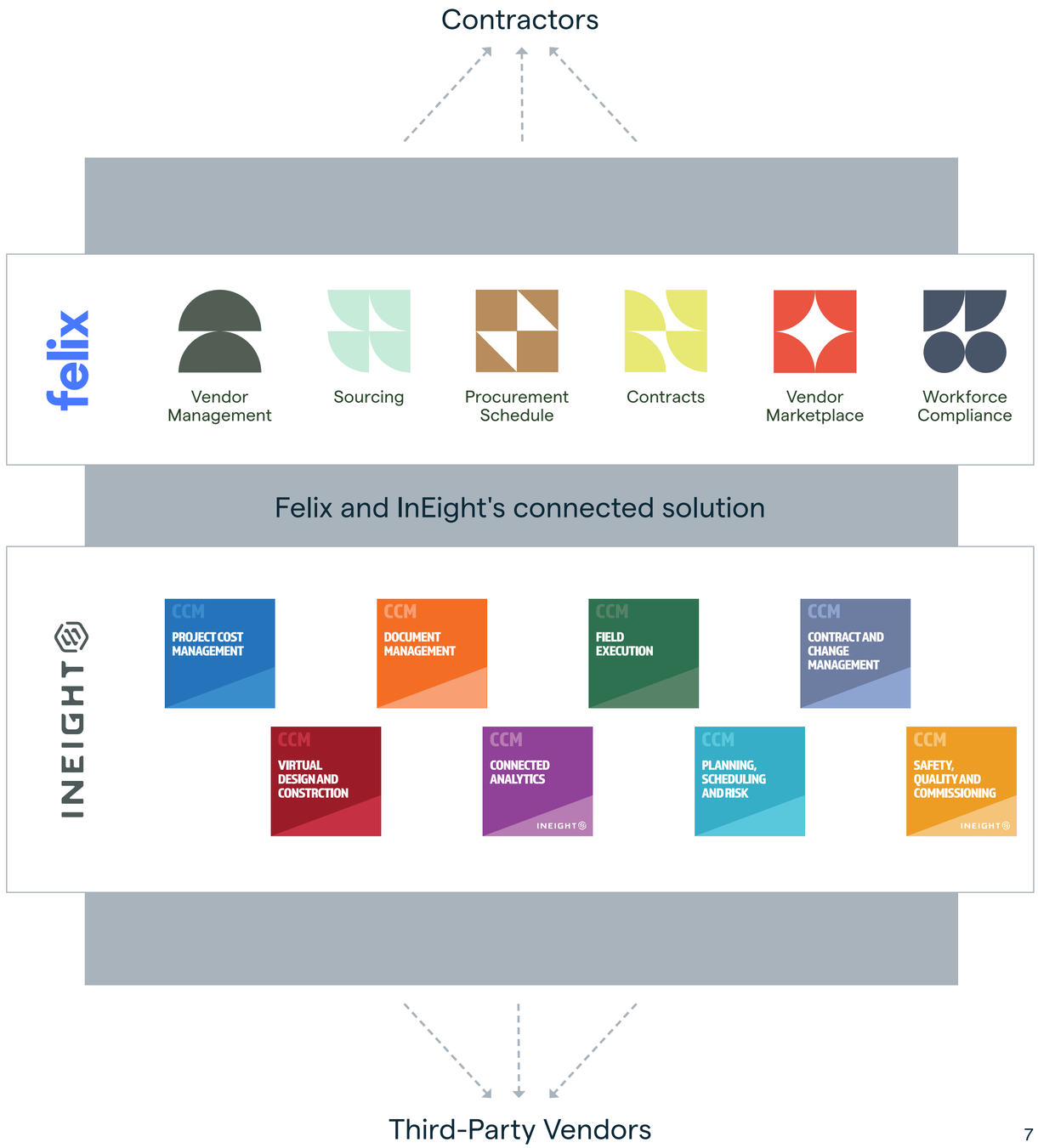
— In February 2022, Felix signed its first strategic sales and collaboration agreement. The agreement was signed with InEight, a global leader in construction project management software

— 3 year agreement provides Felix with immediate and ongoing opportunities to promote its highly complementary solution to InEight's customer base

— Integration of InEight and Felix platform to deliver a comprehensive and connected procurement solution for Contractors

— InEight customers gain deeper understanding of their supply chain, real-time Vendor insights and reduce third-party compliance risk through Felix's platform

— The agreement highlights the global relevance of Felix's procurement management platform and growing international profile



Source:
See ASX announcement, *International Strategic Agreement with InEight*, 8 February 2022

Strategic partnership opportunities

— Felix and InEight are actively progressing a range of international sales opportunities in partnership, as well as, pursuing a number of joint sales bids for some of Australia's largest contractors

— Since signing the InEight agreement in February 2022, the partnership has delivered three near-term Contractor opportunities to Felix which are currently in final stages of the advanced pipeline

— Further 234 customers have been initially identified as potential targets in the APAC region with InEight to shortly commence providing introductions to high priority targets

— Partnership customers are expected to significantly reduce Felix's sales cycle, with InEight leveraging their existing customer relationships to provide Felix with introductions, accelerating and de-risking Felix's near-term goal of doubling FY21 Contractors

— Capital light entry into the large North American market leveraging InEight's salesforce

— A$2.75m investment further deepens highly strategic relationship and aligns InEight with Felix's growth and long-term value creation strategy

3

Near-term new Contractor opportunities including leading Tier 1 Contractor, Government & Infrastructure Contractor and cornerstone North American Contractor

234

Immediate pool of opportunities presented in APAC

600+

Remaining pool of opportunities presented by InEight's customer base to be explored

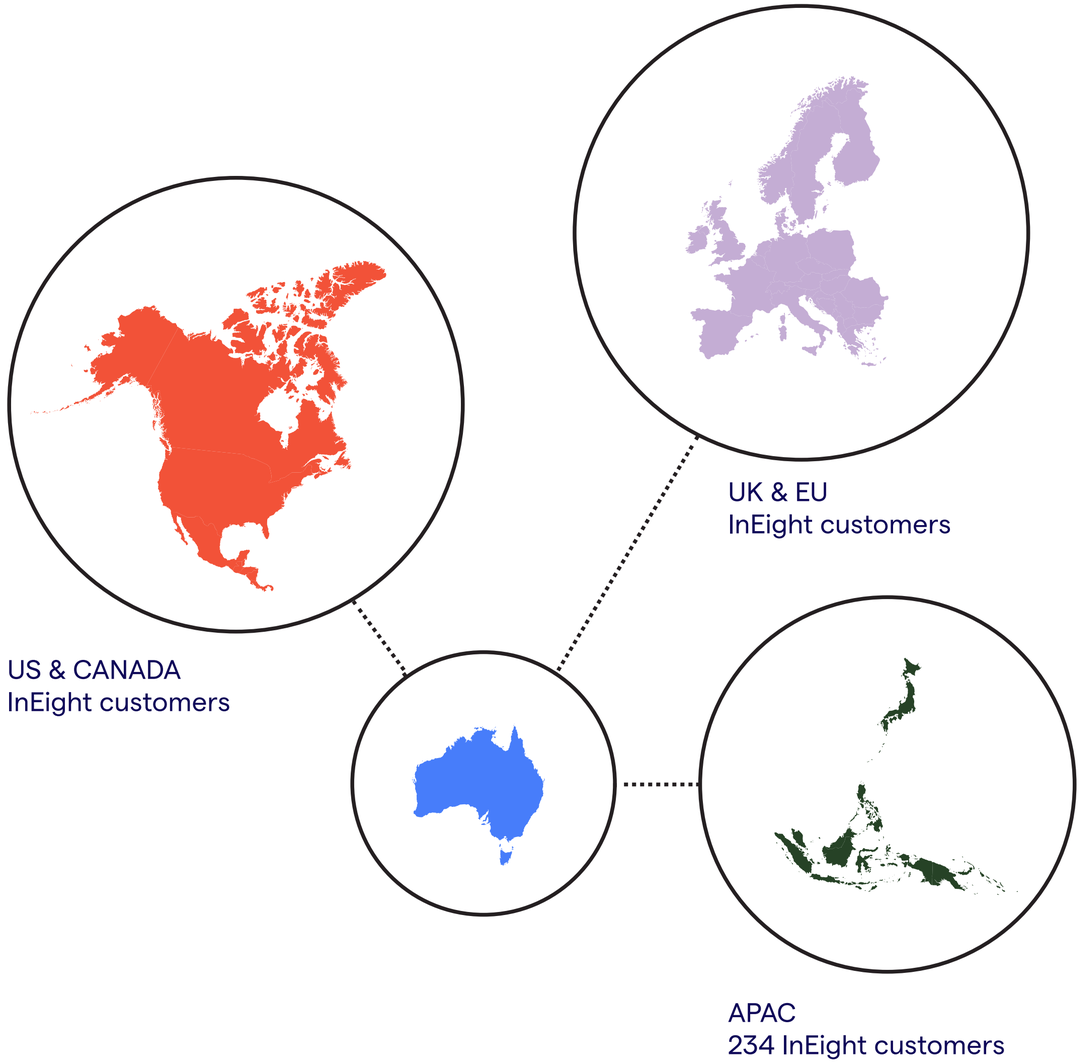
InEight partnership to accelerate capital-light entry into larger markets

Driving sales and marketing initiatives associated with new Contractor acquisition, leveraging InEight's existing customer base and infrastructure:

- ↗ Accelerates pursuit of joint sales bids for Contractors in ANZ (e.g. with leading Tier 1 Contractor) leveraging joint value proposition of integrated Felix and InEight products
- ↗ Enables capital-light expansion into international markets, with an initial focus on APAC and North America, noting a number of joint international bids are also currently being explored/progressed
- ↗ Assists with generating further traction in Felix's key target sectors (Construction & Engineering) and adjacent high-value industries (Resources, Energy & Utilities)

Leveraging the flexibility of Felix's platform to deal with multinational customers, additional platform development and integration:

- ↗ Enhances Felix and InEight's connected solution, with further platform integration unlocking development opportunities and scale benefits
- ↗ Mobilises additional teams with a product and engineering focus to accelerate into the partnership



- ✓ Core platform
- ✓ Platform internationalisation
- ↻ Accelerate ANZ sales, followed by international
- ↻ Increase platform integration / Develop further modules

Q3 FY22 highlights

Q3 FY22 highlights

Strong growth across core business and expanding key Contractor revenue metrics

$4.6m

Group ARR
+24% on Q3 FY21

$2.7m

Contractor (Contracted) ARR
+64% on Q3 FY21

$177k

Contractor MRR[1]
+49% on Mar-21

106%

Contractor ARR retention[2] up from 96% in Q3 FY21

3

New Contractor customers signed this quarter

40

Enterprise Contractor Customers
+43% on Q3 FY21

62k

Vendors on the platform
+30% on Q3 FY21

BUMA Australia

Leading mining Contractor established in 2021 to acquire the Open Cut Mining business of Downer

GPT The GPT Group

One of Australia's largest property groups, representing Felix's cornerstone customer in diversified real estate

ALTRAD

Global leader in the provision of industrial services and manufacturing equipment for the construction industry

Additional enhancements made to Felix's enterprise platform, specifically its Vendor Management System, Procurement Schedule and Contract Management modules to streamline pre-qualification processes, optimise performance and improve overall user experience

[1] The Monthly Recurring Revenue (MRR) from Contractors
[2] The percentage of recurring revenue retained from existing customers over the last 12 months

Capital raising details

Capital raising details

A$6.4m placement and up to A$1.0m SPP to raise a total of up to A$7.4m

Placement »

- Placement to raise approximately A$6.4m via the issue of 19.9m shares, comprising:
  - Strategic placement of approximately A$2.75m to InEight (equivalent to approximately 5.0% of Felix's issued capital following the placement), via the issue of 7.6m shares at a price of A$0.36 per share
  - Institutional placement of approximately A$3.7m, via the issue of 12.3m shares at a price of A$0.30 per share
- New Shares issued under the Placement will be issued under the Company's existing placement capacity per LR 7.1 and will rank equally with existing Felix shares
- Bell Potter is lead manager to the Placement

Share purchase plan »

- Felix intends to offer eligible shareholders the opportunity to participate in a Share Purchase Plan ("SPP") and apply for up to A$30,000 of New Shares, to raise up to an additional A$1.0m
- Record date for determining eligibility for the SPP is 7:00pm on Tuesday, 3 May 2022
- Felix reserves the right to increase the size of the SPP or to scale back applications in its absolute discretion
- New Shares issued under the SPP will rank equally with existing Felix shares
- Further details in relation to the SPP including the timetable will be provided to eligible shareholders in an SPP booklet expected to be released following the Placement

Offer price »

- New shares under the Placement will be issued at a price of A$0.36 per share, representing a 16.8% premium to the 5-day VWAP to 29 April of $0.308
- New shares under the institutional placement will be issued at a price of A$0.30 per share, representing a 2.7% discount to the 5-day VWAP to 29 April of $0.308
- New shares under the SPP will be issued at the lower of:
  - A$0.30 per share, representing a 2.7% discount to the volume weighted average price of Shares traded on the ASX during the five trading days up to 4 May 2022 (being the date the SPP was announced), being $0.308; and
  - A 2% discount to the volume weighted average price of Shares traded on the ASX during the five trading days up to (but not including) the date the SPP Shares are to be issued, rounded to the nearest cent.

Use of funds »

- Felix expects to use the proceeds of the Placement and SPP for:
  - Sales and marketing to accelerate conversion of significant new Contractor opportunities in new and existing jurisdictions following the strategic partnership with InEight
  - Platform integrations and feature development associated with the strategic partnership with InEight
  - Working capital and transaction costs associated with the placement and SPP

Indicative timetable

Trading Halt	Before 9:00am, Monday, 2 May 2022
Record Date for SPP	7:00pm, Tuesday, 3 May 2022
Announcement of Capital Raising and Trading Halt Lifted	Before 9:00am, Wednesday, 4 May 2022
SPP Information Booklet and SPP Acceptance Form dispatched	Monday, 9 May 2022
Settlement of Institutional Placement	Monday, 9 May 2022
Open of SPP Offer	Tuesday, 10 May 2022
Allotment of New Shares under Institutional Placement	Tuesday, 10 May 2022
Close of SPP Offer	5:00pm, Tuesday, 24 May 2022
Announcement of SPP results	Tuesday, 31 May 2022
Allotment of New Shares under the SPP	Tuesday, 31 May 2022

Note: All dates and times are indicative and subject to change without notice subject to compliance with the Corporations Act 2001 (Cth) and the ASX Listing Rules. All dates and times refer to Sydney time.

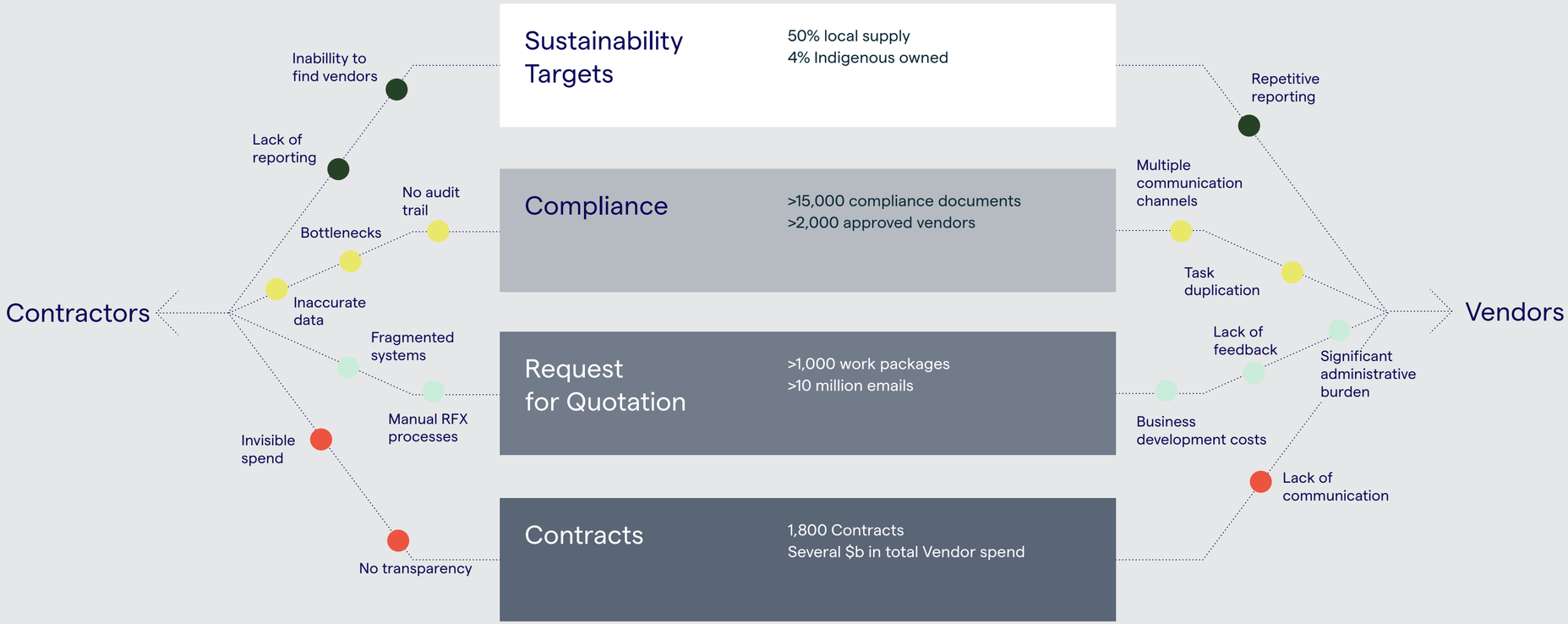
Felix overview

Construction industry is ripe for disruption

Perfect storm of critical issues is driving technology adoption

- Large and growing industry
- Significant compliance environment
- Traditionally low IT spend

↘ Example: Multi-billion dollar infrastructure project



Established platform connecting industry players

Felix connects Contractors and Vendors, digitising and automating critical procurement processes

Contractors

(e.g. CIMIC) engage a supply chain of third-party Vendors to deliver capital projects

Vendors

(e.g. Boral) are contracted to deliver specific works or supply materials



Integration

Felix seamlessly integrates with other business applications

ERP Platforms

Document Management

Compliance Tools

Leading strategic Contractors

40 Contractors with significant value to be realised as platform usage expands across divisions

Recent contract wins



Felix monetises both Contractors and Vendors

Contractors

~$68,000
Average ARR

- ↘ Licence fee based on number of modules, user accounts and Vendors
- ↘ Additional one-time project implementation fees

Core Focus

Vendors

~$2,800
Average ARR

- ↘ Freemium model for Vendor Marketplace
- ↘ Opportunity to accelerate growth of Vendor revenues once sufficient Vendor Marketplace scale has been achieved (with reduced annual subscription cost)

Note: Average Contractor and Vendor revenue as detailed in the H1 FY22 reviewed financial accounts

End-to-end solution across entire procurement cycle

Vendor Management
Seamlessly manages all tiers of Contractors' supply chain

Sourcing
Enables project teams to manage sourcing activities while remaining centrally documented in Felix

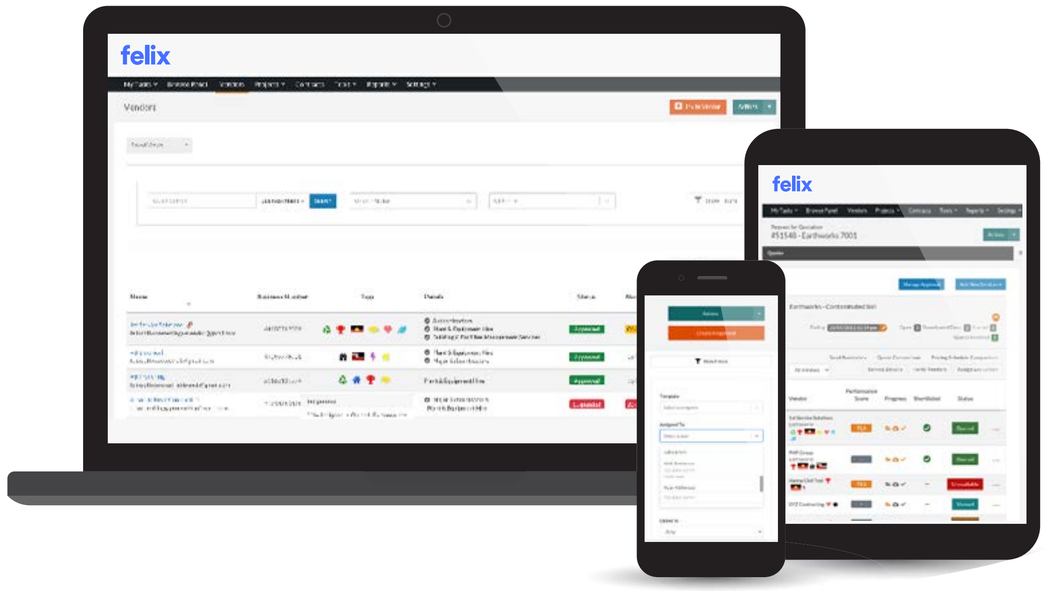
Procurement Schedule
Provides Contractors complete visibility and control over procurement programs and performance

Contracts
Stores all contracts and contract summaries in a central, secure and easily searchable repository

Vendor Marketplace
Enables Contractors to discover new Vendors outside of their existing supply chain

Workforce Compliance
Management of compliance data for individual workers on projects

Felix transforms the procurement lifecycle

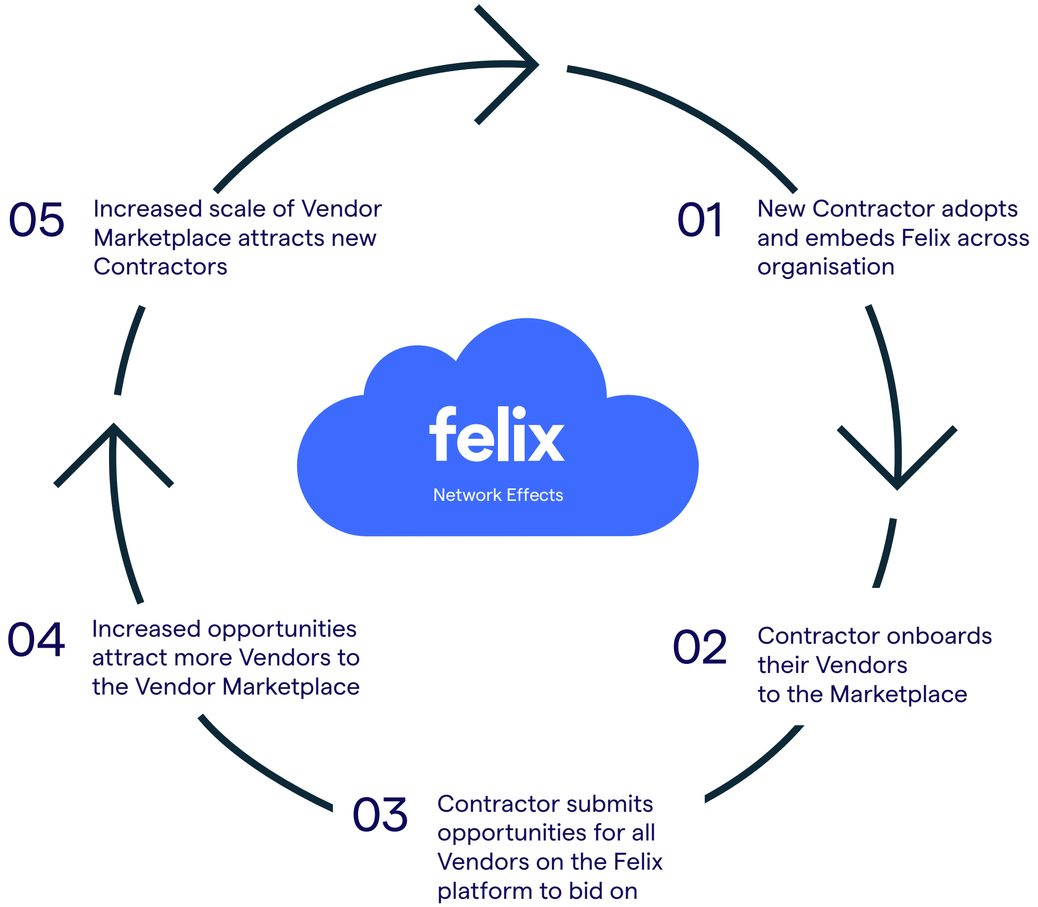


"Felix provides real-time visibility of what stage the procurement process is at, from who is waiting on approvals to the visibility of all documents and analysis."

Peter Bolanis - Head of Procurement & Contracts
West Gate Tunnel Project
$6bn+ major infrastructure project

- Automates and streamlines complex workflows
- Mitigates supply chain compliance risk
- Accurate and real-time data to inform decisions

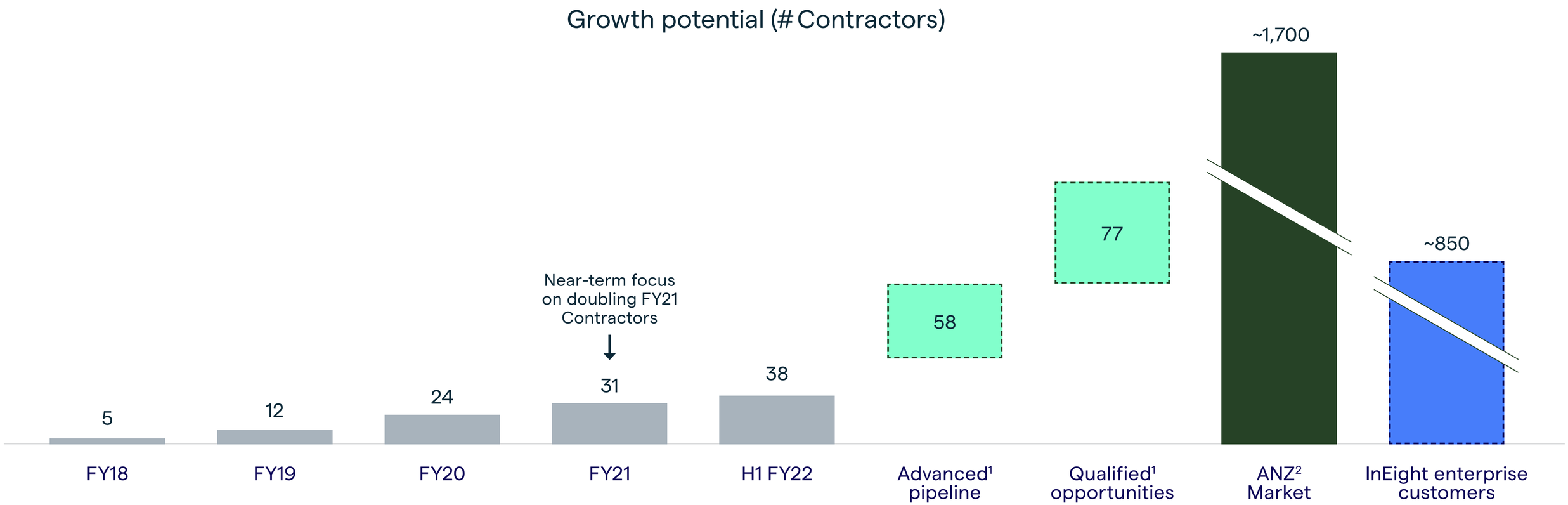
Network effects are accelerating scale and entrenching market position



Mandated use of Felix by Contractors drives rapid scale

- New Contractors onboard their entire third-party supply chain of thousands of Vendors on to the platform
- Each new Contractor effectively builds the Vendor Marketplace at no direct cost to Felix
- Depth of platform solution combined with compounding network effects is key to Felix's successful marketplace strategy
- Growing platform engagement metrics demonstrates rapidly increasing scale of the platform and power of network effects

Large Contractor Pipeline



106.5%

Contractor net revenue retention rate[3] demonstrates stickiness of Felix's solution and ability to grow the value of Contractor accounts

[1] Based on management estimates
[2] Number of advanced and qualified prospective Contractors as at 21/2/2022
[3] Net revenue retention rate refers to the percentage change of recurring revenue retained from existing clients, including expansions, downgrades and cancels. Figure as at March 2022

Strategic plan

Continued execution against strategic plan provides foundation for accelerated growth

Phase 1: Core Platform established
(Complete)

- $15m invested in technology platform
- Secured major major Contractor customers
- Strong ARR and Vendor Marketplace growth

↘ Phase 2: Accelerate growth
(Underway)

- Platform internationalisation enhancements to drive further usage on international projects
- Commenced development of core new platform modules, with Procurement Schedule now live
- Investigating opportunities to expand automation across platform
- Continued rapid growth of Vendor Marketplace towards Phase 2 target of 60,000
- Continued penetration into new target sectors with further cornerstone contract wins
- Exploring new module packages to accelerate Contractor adoption
- Strategic partnerships to rapidly scale Contractors and expand market opportunity

Phase 3: Monetise Vendors

- Grow current Vendor Marketplace adoption to target penetration
- Monetise Vendor Marketplace through new subscription model
- Accelerate conversion of Contractor pipeline

Platform modules



Appendix

Key Risks

Risks
The business, assets and operations of Felix Group Holdings Limited and its subsidiaries (Group) are subject to risk factors that could influence future operating and financial performance. These risks can impact the value of an investment in Felix. The Board aims to mitigate these risks by planning its activities and implementing mitigating risk control measures. Some risks are unforeseen and so the extent to which these risks can be effectively managed is limited. Set out below are specific key risks to which the Group is exposed.

Specific risks
Customer acquisition and retention in COVID-19
The COVID-19 pandemic was unexpected and has had a devastating impact globally. The Group cannot predict with any certainty, nor can anyone else, when life may progressively return to normal. It is also impossible to predict with certainty the short, medium or long-term impact on Australia and other countries.

Specifically, this pandemic may cause a significant reduction in the volume and value of infrastructure and commercial construction projects. This may result in a worsening of Group financial performance and customer position causing the cancellation or non-renewal of existing enterprise SaaS contracts and a decreased ability to secure new enterprise SaaS customers.

Additionally, contractors and vendors enter service contracts to utilise the Felix platform. These contracts are typically 2-3 years for contractors and monthly or annual contracts for vendors but sometimes can be cancelled by the respective parties on short notice. If a material segment of the Group's customer base terminated their contracts early and cancelled their paid subscriptions the Group's revenues and earnings would be impacted. This could occur, for example, due to a shift in a competitor's product or user needs no longer being met.

The Group's ability to increase its customer base will be subject to limits and there is a risk that a failure to implement, or implement successfully, growth strategies to increase customer numbers, could adversely affect the Group's operating and financial performance. The Group's ability to implement and achieve these strategies may be impacted by COVID-19 and is dependent on its ability to continue to demonstrate value in the platform to customers and users.

Customer acquisition and retention with falling GDP and negative economic growth

The Group's core vendor management solution is tailored to the needs of the commercial construction and infrastructure projects sectors. As such, economic trends such as a continued contraction in GDP and negative economic growth (experienced globally during the March and June 2020 quarters) are likely to negatively affect these sectors. This would likely adversely affect the Group's business by reducing the number of new construction projects being undertaken that the Group may service or target to service. Downturns in the identified sectors could result in reduced sector activity and spend. This would adversely impact the Group's revenues and financial performance due to the likely downward pressure on the subscription prices that Felix can realise or charge, a reduction in the number of paid subscriptions and/or lower growth or demand in paid subscriptions.

Competition

Despite its relatively unique offering, the markets in which the Group operates are competitive and subject to increasing competition from offerings domestically and internationally. There can be no assurance that this will not adversely change due to changes in government regulations, actions of competitors or changes in customer preferences.

The Group's financial performance and operating margins could be adversely affected by new market entrants and existing competitors becoming more effective (e.g. by improving their product offering or value proposition). The Group cannot predict the timing and scale of this. Specifically, if an existing, well established procurement platform provider developed an innovative feature which materially improved its software and user experience, this could materially affect the Group's ability to grow its revenues and profitability and may reduce the value of an investment in the Shares.

Customer concentration risk

Approximately $500,000 of the Group's annual sales revenue is generated from one customer. In FY2021 it accounted for approximately 14% of the Group's sales revenue. Despite this customer signing a multi-year agreement, there is no assurance they will continue to operate their business or to the same extent, as it is subject to its own business and market risks.

Product selection and development

For Felix's continued generation of, and increase in revenue, products that appeal to its current and prospective customer base must be identified and assessed. Misjudgements of demand for products or changes in customer or user preferences or behaviours could result in reduced revenues and gross margins. Further, existing and future products may encounter development or performance issues, rendering them difficult or impossible to sell, which could have a material impact on the Group's reputation and financial performance.

Unforeseen expenditure and future funding

While the Directors believe the Group will have sufficient funds after Completion of the Offer to meet its growth and capital requirements for at least the next 24 months, the Group's capital requirements depend on numerous factors. It is expected the Group will need to raise further capital given the Group is currently in a growth phase and focused on growing revenues instead of profitability. Further, the Group's ability to generate income from its operations and the cost or timing of achieving its growth objectives may be different from that expected, resulting in the requirement for the raising of additional capital in the near-term or earlier than expected. There can be no assurance the Group will be able to raise such capital on favourable terms or at all. This may adversely affect the Group's business, financial position, and financial performance.

Key Risks

Short operating history and history of operating losses

Given Felix was formed in August 2012 and launched its initial Marketplace platform in May 2013, there are uncertainties surrounding future revenue growth, demand for products and business prospects. Further, the Group is not yet cash flow positive and its' limited financial and operating history is insufficient to provide certainty or assurance that the Group has capability to achieve growth and its objectives. Therefore, investing in the Group is speculative and the Directors perceive that investment in the Shares should be regarded as high risk.

Additionally, although the Group has experienced positive revenue growth since inception, it has incurred net losses every year since and has yet to generate an operating profit. There is a risk the Group may not achieve profitability in the future.

Personnel

Organisational culture and people are a key strength of the Group. Accordingly, the performance and retention of the Group's senior executives is central to its ongoing financial performance. The loss of any of the Group's key personnel may have an adverse financial impact on the Group.

The Group is also dependent on its ability to recruit and retain suitably skilled and qualified personnel for the ongoing implementation of business growth initiatives and strategies. If the Group were unable to recruit such personnel or were unable to retain them and the Group was not able to recruit suitable replacements in a timely manner, this could have a material adverse effect on the Group's business and its ability to execute its growth strategy.

Additionally, if key personnel left the business to work for a competitor, this could adversely impact the Group.

Reputation and relationships

The Group's success is dependent on maintaining the quality of its services and a positive reputation and relationship with customers and end users, Shareholders, and to a lesser extent, third parties to grow and retain its customer and user base.

Unforeseen issues, accidents or events involving the Group which, for example, cause concern over the reliability of the Group's software, adverse customer or user experience or inappropriate employee, management or Director behaviour, could jeopardise Felix's reputation and its relationship with third parties, damage its brand or otherwise cause harm to the Group and its business dealings and impact future earnings and growth prospects.

Reliance on third party IT service provider – AWS

AWS, a division of Amazon.com, Inc. (NASDAQ:AMZN), provides the Group's cloud hosting infrastructure. The Group's business is heavily dependent on the continuity of this service. While AWS is a well-established and credible cloud hosting service provider, if AWS suffered an extended outage, the Group's operations would be significantly and adversely impacted. This may impact the Group's reputation for reliability and result in customers cancelling their subscriptions, adversely impacting the Group's financial performance and growth prospects.

Software, technology and system related risks

The Group relies on the internet, its information and communication networks and systems to process, transmit and store electronic and financial information, to manage a variety of business processes and activities which include client documents, customer and regulator communication, financial management and reporting, database management and compliance with regulatory, legal and tax requirements. If access to the internet, its networks and systems is disrupted or restricted for Felix users, it would adversely impact the Group's ability to provide continuity of service impacting its operations, brand and reputation which may cause customers to cancel agreements or impact the Group's ability to secure new customers.

Increased cyber security threats and computer crime pose a potential risk to the security of the Group's information technology systems and databases, as well as the confidentiality, integrity and availability of the data stored on those systems. The loss, theft, or corruption of, or any unauthorised third party access to, the Group's data could render the Group's services unavailable for a period while the data is restored and otherwise adversely impact the Group's operations, the value of the Group's assets, its competitive position, reputation and financial performance. There is also a risk of unauthorised disclosure of users' data with associated reputational damage, claims by users, regulatory action and fines. Although the Group employs strategies and protections in an attempt to minimise security breaches and to protect data, these strategies and protections might not be entirely successful. In that event, disruption to the Group's services could adversely impact on the Group's revenue, reputation and profitability. Additionally, the loss of client data could have a severe impact on the Group's products and services and, reputation.

The Group may be affected by malicious third-party applications that interfere with, or exploit, security flaws in its or its third-party provider's software, infrastructure or services. Viruses, worms and other malicious software programs could, among other things, jeopardise the security of information stored in a customer's, the Group's or a third-party provider's computer systems or disrupt or shut down the Group's operating system. If the Group's efforts to combat these applications are unsuccessful, or if its software or infrastructure has actual or perceived vulnerabilities, the Group's business reputation and brand may be harmed, which may result in a material adverse effect on the Group's operations and financial position.

Additionally, any failure, unscheduled down-time or cyber-attack of the software, services or technology that underpins the Group's platform may cause the Group's failure to meet contractual and service level obligations, unauthorised system use, data loss or integrity issues, integration issues with other systems and third parties, increased costs and damage to its brand and reputation.

Under the Notifiable Data Breach (NDB) Scheme under the Privacy Act 1988 (Cth) (Privacy Act), Felix is obliged to report data breaches to, among others, its customers. Under the Privacy Act, Felix may be subject to financial penalties and other enforcement action if such a breach is not reported.

Key Risks

Intellectual property
Intellectual property infringement claims

A key component of the Group's business model is dependent on its ability to offer new and existing customers and users proprietary digital software solutions and technology that provide the requisite functionality, advantages over alternative solutions and value for money. If the Group fails to update its solutions to meet evolving customer and user needs, there is a risk it may lead to performance issues, a decrease in client satisfaction and potentially a loss of customers and users.

If a third-party accuses the Group of infringing its intellectual property rights or if they commence litigation against the Group for the infringement of patent or other intellectual property rights, the Group may incur significant costs in defending such action. Costs incurred in defending such action may include diversion of management's and technical personnel's time. Further, parties making claims against the Group may be able to obtain injunctive or other equitable relief that could prevent the Group from promoting its products. In the event of a successful claim of infringement, the Group may be required to pay damages and obtain one or more licences from the prevailing third-party. If the Group is unable to obtain these licences on reasonable terms at a reasonable cost, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products.

The Group does not believe that its activities infringe any third-party's intellectual property rights. To date, no third-party has asserted this. However, in the future the Group may be subjected to infringement claims or litigation arising out of patents and pending applications of its competitors, or additional proceedings initiated by third-parties or intellectual property authorities re-examining the patentability of licensed or owned patents. The defence and prosecution of intellectual property claims and litigation, and related legal and administrative proceedings are costly and time-consuming to pursue and their outcome is uncertain. If the Group infringes the rights of third-parties, the Group could be prevented from operating its software platform and be forced to defend against litigation and pay damages.

Group's protection of its intellectual property rights

The Group's current methods to protect its intellectual rights may not prevent the misappropriation or development of similar products by others. Competitors may gain access to the Group's technology which could harm its business, operations and financial performance.

No assurance can be given that the value of the Group's intellectual property rights will be completely protected or that the Group will be able to maintain its competitive position by the legal protection afforded by a combination of copyright, trade secrecy laws, patent laws, confidentiality and other intellectual property rights. There can be no assurance that third parties or employees will not breach confidentiality agreements, infringe or misappropriate the Group's intellectual property or will not be able to produce a non-infringing competitive product or service. Furthermore, no assurance can be given that third-parties will not challenge the ownership by, or the rights of, the Group to its intellectual property rights, or that if the Group is required to obtain a licence from a third-party as a result of any infringement dispute, the Group will be able to obtain such licences.

R&D tax incentives audit risk

The Group has claimed research and development (R&D) tax incentives totalling $1,021,000 over the last 3 years for expenditure incurred. Under the R&D incentive framework, both the ATO and AusIndustry are entitled to audit the expenditure incurred to ensure it has been incurred per the requirements of Division 355 of the Income Tax Assessment Act 1997 (Cth). To this extent, there is a risk that some or all of the R&D tax incentives received by the Group may need to be repaid (including penalties) if audits of the claims were conducted and the relevant regulatory authority formed the view that the requirements of Division 355 had not been met in full or in part.

Changes to law or regulations may impact business operations

Felix and its customers will be subject to local laws and regulations in each jurisdiction for provision of its services. Changes to existing laws and regulations (including their introduction) may adversely impact the Group's business in that jurisdiction.

Expansion and foreign operations

The Group currently operates in Australia but plans to expand its operations to overseas markets after it has established sufficient critical scale in the Australian market. There is no guarantee that the Group's product offering will be successful or will be able to generate material revenues outside of Australia.

The Group's success will depend on a number of factors such as the operations and product offerings of existing and new competitors in these markets, new customers' willingness to pay for the Group's services and the state of the local economy and appetite for new technology adoption.

Businesses that operate across multiple jurisdictions face additional complexities due to specific business requirements in each jurisdiction.

The Group will be exposed to a range of multijurisdictional risks in any new country within which it chooses to establish operations. These risks relate to use of data, labour practices, consumer preferences, difficulty in enforcing contracts, changes to or uncertainty in relevant legal and regulatory regimes (including in relation to taxation, foreign investment and practices of government and regulatory authorities) as well as other issues.

The Group's financial statements are prepared and presented in Australian dollars (AUD) and the majority of its costs are currently in AUD. If the Group were to offer a paid subscription-based service priced in a foreign currency, it would be exposed to movements in foreign exchange rates which may adversely impact the Group's profitability.

General risks
Macro-economic risks

Changes in general economic conditions, introduction of tax reform, new legislation, employment rates, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Group's activities, as well as on its ability to fund those activities.

Deterioration in the general economic conditions, including factors that impact negatively on disposable income of consumers, could

Key Risks

affect customer expenditure, including on 'productivity software' which may adversely affect the Group's profitability.

Market conditions

Share market conditions may affect the value of the Group's quoted securities regardless of the Group's operating performance. Share market conditions are affected by factors such as:

general economic outlook;

a. introduction of tax reform or other new legislation;

b. interest rates, inflation rates, exchange rates and commodity prices;

c. changes in investor sentiment toward particular market sectors;

d. the demand for, and supply of, capital; and

e. terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and listed SaaS companies in particular. Neither the Company nor the Directors warrant the future performance of the Group nor any return on an investment in the Company and give no assurance that the price of the Shares will increase following quotation on the ASX, even if the Group's earnings meet or exceed forecasts.

Access to equity and debt funding

Volatility in financial markets could have a material adverse effect on the Group's ability to raise further capital. The Company's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and share markets generally.

In addition, any deterioration in global financial markets could impact risk appetite among lending institutions which may impact the Company's ability to enter into loan facilities. The Directors can give no assurance that future funds can be raised by the Company on favourable terms, or at all.

If the Company is unable to obtain additional funding as needed, or is unable to do so on acceptable terms, it may be required to reduce the scope of its operations and scale back its growth plans as the case may be which could adversely affect its business, financial position, operating performance and future growth prospects.

Shareholder dilution

In the future, the Group may elect or be required to engage in various types of capital raisings, including the issue of Shares or other securities. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period without Shareholder approval (other than where exceptions apply), Shareholders at the time may be diluted as a result of such capital raisings if they do not participate pro rata.

Litigation risk

Felix offers products and services to its user base which in certain circumstances may give rise to potential legal action by users.

The Group has agreements with employees, contractors, customers, suppliers and other entities. There is a risk the Group may be subject to litigation and other claims and disputes in the course of doing business, including contractual disputes and indemnity claims, misleading and deceptive conduct claims, intellectual property disputes and employment related claims.

There is also a risk the Group may be subject to regulatory investigations and sanctions or fines by governmental agencies in the event of non-compliance with relevant statutory or regulatory requirements. Such litigation, claims, disputes or investigations, including the costs of settling claims or paying sanctions or fines, and any associated operational impacts, may be costly and damaging to the Group's reputation and business relationships, any of which could have a material adverse effect on the Group's financial performance, position or industry standing.

International Offer Restrictions

This document does not constitute an offer of new ordinary shares (New Shares) of the Felix Group Holdings Limited (Company) in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). Accordingly, this document may not be distributed, and the New Shares may not be offered or sold, in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

United States

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The New Shares have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

The New Shares will only be offered and sold in the United States to:

- “institutional accredited investors” within the meaning of Rule 501(a) (1), (2), (3), (7), (8), (9) and (12) under the US Securities Act; and
- dealers or other professional fiduciaries organized or incorporated in the United States that are acting for a discretionary or similar account (other than an estate or trust) held for the benefit or account of persons that are not US persons and for which they exercise investment discretion, within the meaning of Rule 902(k) (2) (i) of Regulation S under the US Securities Act.